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SUBJECT: (U) POLITICAL BATTLE HIGHLIGHTS CORRUPTION, STIRS DISSOLUTION RUMORS

Classified By: Ambassador Richard H. Jones for reasons 1.5 (b) and (d)

¶11. (U) Summary: In yet another round of anti-government political fighting, MP Abdullah Mohammed Al-Naibari has submitted a request to conduct a parliamentary investigation, or "grilling," into the activities of a government minister. The threat of a grilling has fueled rumors that the Amir may be considering the dissolution of the National Assembly. End Summary.

¶12. (U) Less than three weeks after Minister of Electricity, Water, Social Affairs and Labor, Talal al-Ayyar successfully defended himself against accusations of widespread but ill-defined corruption, MP Abdullah Mohammed al-Naibari has accused Deputy Prime Minister and Minister of State for Cabinet and National Assembly Affairs Mohammed Sharar of being partially responsible for the illegal sale of 64 square kilometers of government land, popularly known as the Khairan Pearls Project, and has submitted a formal request to "grill" him in the National Assembly.

The Pearls Project

¶13. (U) The Al-Khairan city project, or Pearls Project, is an initiative to develop three planned cities on public lands on Kuwait's southern coast. Originally conceived in 1987 by Kuwaiti entrepreneur Mr. Khaled Marzouk, the project was approved by the Council of Ministers without the input and review of government agencies on January 15, 1989. In 1993, the Council of Ministers concluded a sales agreement with Mr. Marzouk's company, the Kuwait Pearls Real Estate Company, agreeing to sell it 600 million square meters of property for Kuwaiti Dinars (KD) 400,000 (USD 1.32 million, at today's exchange rate, or approximately \$3.3 to KD 1). After drawing criticism when the agreement was publicized, the government revised the terms. Finally, on August 13, 2002, the Council of Ministers approved the sale to Kuwait Pearls Real Estate Company of 64 million square meters of public lands at a price, depending on the source, of between KD 0.002 and 0.007 (0.6 - 2.3 cents) per square meter.

¶14. (U) On January 11, al-Naibari submitted his three-part formal grilling request to the National Assembly. Although the request includes other corruption charges, the Pearls Project charges are the most substantial. In the request, al-Naibari accuses the GOK of violating the constitution through the sale of public lands, and attacks it for not having opened the proposed sale to competitors, as required by law. According to Naibari, the Kuwait Pearls Real Estate Company is charging KD 70,000 for a plot of land that cost them KD 10. He estimates the company will have earned KD 4 billion (USD 13.2 billion) from the al-Khairan project by the year 2019.

¶15. (C) This request for a grilling has sparked widespread speculation among Kuwaitis that the Amir may dissolve the National Assembly, though First Deputy Prime Minister and Minister of Foreign Affairs Shaykh Sabah al-Ahmed al-Sabah denies the rumors. If the grilling occurs, it will be the fourth time for the current government. (Comment: In the current political climate, in which many are calling for national unity in the face of a possible war with Iraq, a dissolution would be an easy way for the government to gain short-term freedom of action. However, the repercussions could be severe. The Amir has dissolved the Assembly before, most notably in 1986, when it remained dissolved until after the liberation of Kuwait in 1991. Dissolution would be widely interpreted as a sign the regime is not committed to democracy. Given the large and growing U.S. military presence in Kuwait, if the Assembly were dissolved it would be widely assumed that the USG had given at least a tacit greenlight. This would be sure to generate accusations of U.S. interference and failure to adhere to our own professed ideals. End Comment.)

¶16. (U) The National Assembly is currently scheduled to take up action on al-Naibari's request on January 13; an automatic two-week postponement is the most likely outcome. Post will continue to monitor the situation and report on further developments.

JONES